



# County of Los Angeles

## CHIEF ADMINISTRATIVE OFFICE

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DAVID E. JANSSEN  
Chief Administrative Officer

July 23, 2003

To: Supervisor Yvonne Brathwaite Burke, Chair  
Supervisor Gloria Molina  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

From: David E. Janssen  
Chief Administrative Officer

Board of Supervisors  
GLORIA MOLINA  
First District

YVONNE BRATHWAITE BURKE  
Second District

ZEV YAROSLAVSKY  
Third District

DON KNABE  
Fourth District

MICHAEL D. ANTONOVICH  
Fifth District

### STATE BUDGET UPDATE

While action on the State budget has been stalled for weeks, two select committees have been meeting to consider budget related issues. On Monday, July 21, 2003, the Assembly Special Committee on State Mandates, met to consider their recommendations on various mandates, most of which have never been funded and/or have been recommended for deferral or suspension by the Administration. At a prior meeting, the Committee had recommended the following actions on a number of mandates that could impact the County, including:

- Deferral of some Brown Act changes relating to closed sessions and the definition of a legislative body;
- Suspension and ultimately repeal of requirements for sexual harassment and elder abuse training for peace officers; and
- Suspension of a mandate that the district attorney represent the Youthful Offender Parole Board in certain cases.

At its meeting on Monday, the Committee agreed upon the following recommendations of interest to the County:

- Deferral of various animal adoption mandates and their further review next year;
- Deferral of the ability to extend the involuntary treatment of mentally disordered offenders;
- Deferral of lifelong health benefits for the survivors of peace officers and firefighters who die in the line of duty; and
- Deferral of a new requirement on local law enforcement regarding registration of convicted sex offenders.

The Committee also heard from the Attorney General's Office which filed a suit on July 18, 2003 on behalf of the Department of Finance against the Commission on State Mandates contesting their finding that the Animal Adoption legislation enacted in 1998 is a reimbursable mandate. The County is a party to the suit.

At its next meeting, which has not yet been set, the Committee will consider the law enforcement mandate to provide alleged victims of a sex crime with confidentiality, as well as Proposition 98 mandates that the Administration has proposed for deferral.

On Tuesday, the Senate Select Committee on Fiscal Restructuring met to hear from **William Hauck**, President of the California Business Roundtable and Former Chair of the California Constitution Revision Commission, and **Charlene Wear Simmons**, California Research Bureau. Both provided the Select Committee with recommendations to address the State's ongoing fiscal crises. Listed below are highlights from their presentations.

Mr. Hauck reviewed the following findings of the California Constitution Revision Commission:

- The State should move to a two-year fiscal period.
- The State Budget should be balanced at the beginning and at the end of the fiscal year, and the State Controller (or an independent audit firm) should certify that the budget is balanced.
- Require a 3 percent reserve (about \$2 billion this fiscal year) that could be used to fund a shortfall during the fiscal year, but must be repaid in the same fiscal year.
- Mandate a budget rebalancing process whereby if the Director of DOF determines that the budget is out of balance and the reserve is insufficient to cover the shortfall, the Governor must propose a way to rebalance the budget and the Legislature would have 45-60 days to act on the proposal. If it failed to act during that timeframe, no legislation, except those with urgency clauses, could be considered until a rebalanced budget is adopted.
- The Legislature should consider giving the Governor unilateral authority to bring the budget into balance.
- Spending caps are unworkable because Proposition 98 comprises more than one-half of the State's Budget and only Health/Human Services and General Government programs would be subject to a cap.
- Require each bill with an appropriation to identify a funding source.
- Prohibit external borrowing to cover the deficit.

Senator Poochigian asked how to guard against higher taxes if external borrowing, currently under consideration as a key component of the budget solution, is not allowed. Mr. Hauck said that while the Legislature could lower the vote requirement to approve the budget to a simple majority, it should retain the two-thirds vote requirement to raise taxes, thereby maintaining a balance between revenues and expenditures.

Ms. Simmons reviewed the following proposals from an August 2002 California Research Bureau report, entitled "A Summary of Recommendations for Reforms to the State Budget Process."

- Promote Better Public and Legislative Understanding. For example, the California Citizens Budget Commission recommended that a "Statement of Fiscal Condition" be added to the first section of the Budget Act to provide a simple, comprehensive picture of the State's overall fiscal condition and spending priorities. The Commission also recommended that a Joint Fiscal Oversight Committee be created to monitor the State's fiscal health.
- Promote Fiscal Discipline. Other recommendations of the Citizens Budget Commission would: (1) require the Governor and the Legislature to balance California's budget when presented and adopted (California's Constitution only requires a balanced budget to be proposed by the Governor in January); (2) prohibit loans for operating expenses; (3) amend the Constitution to prohibit all short-term borrowing unless repaid within the same fiscal year; and (4) develop a plan to retire accumulated deficit within five years by repaying at least 20 percent each year.
- Require a Budget Reserve Account.
- Change the vote requirement for passage of the budget bill and trailer bills from two-thirds to a simple majority.
- Require the State Budget to include information about the financial status of local government and the effect state decisions would have on them.
- Realign state/county responsibilities.
- Adopt two-year budgets.
- Conform the State Fiscal Year with the Federal Fiscal Year.

The Select Committee's next meeting will be on Tuesday, July 29, 2003 at 10 a.m.

We will continue to keep you advised.

DEJ:GK  
MAL:JF:JR:ib

c: Executive Officer, Board of Supervisors  
County Counsel  
Local 660  
All Department Heads  
Legislative Strategist  
Coalition of County Unions  
California Contract Cities Association  
Independent Cities Association  
League of California Cities